

# **Report of the Director, West Yorkshire Pension Fund, to the meeting of the Pension Board to be held on 8 October 2015.**

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**Subject:** Pension Board – Knowledge and Understanding Framework

**Summary statement:**

In accordance with the Pensions Act, every individual who is a member of a Pension Board must be conversant with the rules of the Local Government Pension Scheme (LGPS).

This Report provides a policy on how the Board will achieve the required Knowledge and Understanding and how this will be maintained.

**Recommendations**

It is recommended that the Board note this report and adopt the Knowledge and Understanding Framework.

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Rodney Barton  
Director

**Portfolio:**

**Leader of Council and Strategic Regeneration**

Phone: (01274) 432317  
E-mail: [Rodney.barton@bradford.gov.uk](mailto:Rodney.barton@bradford.gov.uk)

**Overview & Scrutiny Area:**

**N/A**



## **1. Background**

1.1 In accordance with the Pensions Act, every individual who is a member of a Pension Board must be conversant with:

- the rules of the Local Government Pension Scheme (LGPS) , in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations); and
- any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund,

1.2 Board Members should also have knowledge and understanding of:

- the law relating to pensions; and
- such other matters as may be prescribed.

## **2. Knowledge and Understanding Policy**

2.1 The draft Knowledge and Understanding Framework has been prepared to support members of the Pension Board to fulfil their responsibilities with regards to knowledge and Understanding.

2.2 To ensure knowledge and understanding of the Pension Board is maintained half the Board will be appointed for 2 years period, and the other half for the full term of 4 years. In future appointments will be made for 4 years (or the remaining period if an appointment is made to replace a member) thereby ensuring that there is continuity of membership. Members may be appointed for more than one term.

## **3. Recommendation**

3.1 It is recommended that the Board consider the draft Knowledge and Understanding Framework and subject to any amendments, adopt the Framework

3.2 It is recommended that the Members of the board note and agree to undertake the Pension Regulators Toolkit Training, as well as any further training identified upon completion of Appendix 2 of the Knowledge and Understanding Framework.

## **4. Appendix**

Appendix A – Knowledge and Understanding Framework



## **West Yorkshire Pension Fund - Pension Board**

### **Knowledge and Understanding Framework**

#### **1. Legislative Requirements**

1.1 In accordance with the Pensions Act 2004, every individual who is a member of a Pension Board must be conversant with:

- the rules of the Local Government Pension Scheme (LGPS) , in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations); and
- any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund,

1.2 Board Members should also have knowledge and understanding of:

- the law relating to pensions; and
- such other matters as may be prescribed.

1.3 Board Members legal responsibilities begin from the day they take up their role and therefore should immediately start to familiarise themselves with the documents as referred to in Appendix 1 and the law relating to pensions.

1.4 Board Members must ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Board.

1.5 Board Members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members should maintain a written record of relevant training and development.

#### **2. Degree of Knowledge and Understanding**

2.1 Being conversant with the rules of the LGPS and any document recording policy about the administration of the Fund means having a working knowledge so they can be used effectively when carrying out their role of assisting the Administering Authority.

- 2.2 Board Members should understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply. A list of West Yorkshire Pension Fund's (WYPF) policies etc. can be found at Appendix 1
- 2.3 The rules of the LPGS include the LGPS Regulations, Investment Regulations, Transitional Regulations (including and earlier Regulations as defined in the Transitional regulations) to the extent they remain applicable and any statutory guidance referred to in the regulations.
- 2.4 To ensure knowledge and understanding of the Pension Board is maintained 50% of the initial appointments to the Board will be for 2 years.

### **3. Induction Training**

As part of the induction training Board Members are required to undertake the Pensions Regulator's online toolkit training. This training will enable Board Members to learn about managing public service pension schemes.

The Pensions Regulators website can be found at:

<http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>

A document which will help identify training needs and to record and reflect on the training once completed can be found at:

[www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning-needs.doc](http://www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning-needs.doc).

The Pensions Regulator website includes further details on Understanding your Role and Scheme Management.

### **4. Training**

- 4.1 Board Members are expected to attend regular training events.
- 4.2 Training will be delivered through a variety of methods including:
- In house training days provided by officers and/or external providers
  - Training as part of meetings provided by officers and/or external advisers
  - External training events
  - Circulation of reading material
  - Attendance at seminars and conferences offered by industry- wide bodies
  - Links to on-line training
- 4.3 Appendix 2 can be used to help assist Board members to identify areas where training is required

## Appendix 1

Policies which are documented and which you must have a working knowledge are:

	Where they can be found
<b>Member and Employer information</b>	
Member booklets, announcements and other key member and employer communications, which describe the Fund's policies and procedure, including AVC guides).	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>
<b>Relevant policies</b>	
Conflicts of Interest Policy	To be supplied
Internal Dispute Resolution Procedure	<a href="http://www.wypf.org.uk/Member/Publications/Booklets">www.wypf.org.uk/Member/Publications/Booklets</a>
Reporting of Breaches Procedure	To be supplied
<b>WYPF Policy Statements</b>	
Statement of Investment Principles	<a href="http://www.wypf.org.uk/Member/Publications/policyStatements">www.wypf.org.uk/Member/Publications/policyStatements</a>
Funding Strategy Statement	
Pensions Administration Strategy	
Communication Policy	
Governance Compliance Statement	
WYPF Discretionary Policy Statement	To be supplied
<b>Others</b>	
Actuarial Valuation report and Rates and Adjustment Certificate	<a href="http://www.wypf.org.uk/Member/publications/Valuation">www.wypf.org.uk/Member/publications/Valuation</a>
WYPF Risk Register	To be supplied
Annual Report and Accounts	<a href="http://www.wypf.org.uk/Member/Publications/ReportAndAccounts">www.wypf.org.uk/Member/Publications/ReportAndAccounts</a>
Investment Management and activity	<a href="http://www.wypf.org.uk/Member/Investments">www.wypf.org.uk/Member/Investments</a>

## Appendix 2

### Pension Knowledge and Understanding training analysis

		Training Required Yes/No	Date Training received
	<b>Background and Understanding of the Legislative Framework of the LGPS</b>		
	<ul style="list-style-type: none"> <li>Differences between public service pension schemes like the LGPS and private sector trust-based schemes</li> <li>Role of the Independent Public Service Pensions Commission (IPSPC) and its recommendations</li> <li>Key provisions of the 2013 Act</li> <li>The structure of the LGPS and the main bodies involved including the Responsible Authority, the Administering Authority, the Scheme Advisory Board, the Local Pension Board and the LGPS employers</li> <li>An overview of local authority law and how Administering Authorities are constituted and operate</li> <li>LGPS rules overview (including the Regulations, the Transitional Regulations and the Investment Regulations)</li> </ul>		
	<b>General pensions legislation applicable to the LGPS</b> An overview of wider legislation relevant to the LGPS including: <ul style="list-style-type: none"> <li>Automatic Enrolment (Pensions Act 2008)</li> <li>Contracting out (Pension Schemes Act 1993)</li> <li>Data protection (Data Protection Act 1998)</li> <li>Employment legislation including anti-discrimination, equal treatment, family related leave and redundancy rights</li> <li>Freedom of Information (Freedom of Information</li> </ul>		

		Training Required Yes/No	Date Training received
	Act 2000) <ul style="list-style-type: none"> <li>• Pensions sharing on divorce (Welfare Reform and Pensions Act 1999)</li> <li>• Tax (Finance Act 2004)</li> <li>• IORP Directive</li> </ul>		
	<b>Role and responsibilities of the Local Pension Board</b> <ul style="list-style-type: none"> <li>• Role of the Local Pension Board</li> <li>• Conduct and conflicts</li> <li>• Reporting of breaches</li> <li>• Knowledge and understanding</li> <li>• Data protection</li> </ul>		
	<b>Role and responsibilities of the Administering Authority</b> <ul style="list-style-type: none"> <li>• Membership and eligibility</li> <li>• Benefits and the payment of benefits</li> <li>• Decisions and discretions</li> <li>• Disclosure of information</li> <li>• Record keeping</li> <li>• Internal controls</li> <li>• Internal dispute resolution</li> <li>• Reporting of breaches</li> <li>• Statements, reports and accounts</li> </ul>		
•	• <b>Funding and Investment</b>		

		Training Required Yes/No	Date Training received
	<ul style="list-style-type: none"> <li>• Requirement for triennial and other valuations</li> <li>• Rates and adjustments certificate</li> <li>• Funding strategy statement</li> <li>• Bulk transfers</li> <li>• Permitted investments</li> <li>• Restrictions on investments</li> <li>• Statement of investment principles</li> <li>• CIPFA guidance</li> <li>• Appointment of investment managers</li> <li>• Role of the custodian</li> </ul>		
•	<p><b>Role and responsibilities of Scheme Employers</b></p> <ul style="list-style-type: none"> <li>• Explanation of different types of employers</li> <li>• Additional requirements for admission bodies</li> <li>• Automatic Enrolment</li> <li>• Deduction and payment of contributions</li> <li>• Special contributions</li> <li>• Employer decisions and discretions</li> <li>• Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006)</li> <li>• TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007)</li> </ul>		



		Training Required Yes/No	Date Training received
•	<b>Tax and Contracting Out</b> <ul style="list-style-type: none"> <li>• Finance Act 2004</li> <li>• Role of HMRC</li> <li>• Registration</li> <li>• Role of 'scheme administrator'</li> <li>• Tax relief on contributions</li> <li>• Taxation</li> </ul>		
•	<b>Role of advisors and key persons</b> <ul style="list-style-type: none"> <li>• Officers of the Administering Authority</li> <li>• Fund actuary</li> <li>• Auditor</li> <li>• Lawyers</li> <li>• Investment managers</li> <li>• Custodians</li> <li>• Administrators – in house v. third party</li> <li>• Procurement of services</li> <li>• Contracts with third parties</li> </ul>		
•	<b>Key Bodies connected to the LGPS</b>  An understanding of the roles and powers of: <ul style="list-style-type: none"> <li>• Courts</li> <li>• Financial Services Authority</li> </ul>		

		Training Required Yes/No	Date Training received
	<ul style="list-style-type: none"><li>• HMRC</li><li>• Information Commissioner</li><li>• Pensions Advisory Service</li><li>• Pensions Ombudsman</li><li>• The Pensions Regulator</li></ul>		